

Instructions for Form 540 — California Resident Income Tax Return

Reference to these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and the California Revenue and Taxation Code (R&TC).

Before You Begin

Complete your federal income tax return (Form 1040, Form 1040A, or Form 1040EZ) before you begin your California Form 540. Use information from your federal income tax return to complete your Form 540. Complete and mail Form 540 by April 16, 2007. If unable to mail your return by the due date, see page 2.



You may qualify for the federal earned income credit. See page 2 for more information. No comparable state credit exists.

Filling in your return

- Use black or blue ballpoint pen on the copy you send FTB.
- Enter your social security number(s) (SSN) or Individual Taxpayer Identification Number(s) (ITIN) at the top of Form 540A or Form 540, Side 1.
- Print numbers and CAPITAL LETTERS on combed lines. Be sure to line up dollar amounts.
- Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.
- If you do not have an entry for a line, leave it blank unless the instructions for a line specifically tell you to enter zero. Do not enter a dash, or the word "NONE."
- Attach your label. If you don't have a label, please print your name(s) and address in CAPITAL LETTERS.

Name(s) and Address

Is there a label with your name and address on the front of your booklet?

Yes. Attach the label to your completed return. Verify your label is correct. Cross out any errors and print the correct information on the label.

No. Print your first name, middle initial, last name, and address in the spaces provided at the top of Form 540.

Private Mail Box

Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address

Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code.

Do not abbreviate the country name.

Principal Business Activity Code

Enter the numeric principal business activity code from federal Schedule C, line B.

For instructions on how to enter your SSN (or ITIN) and Exemptions, see Form 540A instructions on page 7.

Prior Name

If you filed your 2005 tax return under a different last name, write the last name **only** from the 2005 tax return.

Taxable Income

Refer to your completed federal income tax return to complete this section.

Line 12 — State Wages



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Enter the total amount of your state wages from all states from each of your Form(s) W-2, or CA Sch W-2. This amount appears on Form W-2, box 16, or CA Sch W-2, line C.

If you received wages and do not have a Form W-2, see "Attachments to your return" on page 19.

Line 14 — California Adjustments — Subtractions [from Schedule CA (540), line 37, column B]

If there are no differences between your federal and California income or deductions, do not file a Schedule CA (540).

If there are differences between your federal and California income or deductions, complete Schedule CA (540), California Adjustments — Residents. Follow the instructions for Schedule CA (540) beginning on page 50. Enter on line 14 the amount from Schedule CA (540), line 37, column B. If a negative amount, see Schedule CA (540), line 37 instructions, page 55.

Line 15 — Subtotal

Subtract the amount on line 14 from the amount on line 13. Enter the result on line 15. If the amount on line 13 is less than zero, combine the amounts on line 13 and line 14 and enter the result in parentheses. For example: "(12,325)."

Line 16 — California Adjustments — Additions [from Schedule CA (540), line 37, column C]

If there are differences between your federal and California income or deductions, complete Schedule CA (540), California Adjustments — Residents. Follow the instructions for Schedule CA (540) beginning on page 50. Enter on line 16 the amount from Schedule CA (540), line 37, column C. If a negative amount, see Schedule CA (540), line 37 instructions, page 55.

Line 18 — California Itemized Deductions or California Standard Deduction

Decide whether to itemize your charitable contributions, medical expenses, interest paid, taxes, etc., or take the standard deduction. Your California income tax will be less if you take the **larger** of:

- Your California itemized deductions; or
- Your California standard deduction.

If married and file separate returns, you and your spouse must either both itemize your deductions or both take the standard deduction.

Also, if someone else can claim you as a dependent, you may claim the greater of the standard deduction or your itemized deductions. To figure your standard deduction, use the California Standard Deduction Worksheet for Dependents on this page.

Itemized deductions. Figure your California itemized deductions by completing Schedule CA (540), Part II, line 38 through line 44. Enter the result on Form 540, line 18.

Note: If you did not itemize deductions on your federal income tax return but will itemize deductions for your California Form 540, first complete a sample federal Schedule A, Itemized Deductions. Then complete Schedule CA (540), Part II, line 38 through line 44. Attach both the federal Schedule A and California Schedule CA (540) to the back of your return.

Standard deduction. Find your standard deduction on the California Standard Deduction Chart for Most People on this page. If you filled in the circle on Form 540, line 6, use the California Standard Deduction Worksheet for Dependents on this page.

California Standard Deduction Chart for Most People

Do not use this chart if your parent, or someone else, can claim you (or your spouse) as a dependent on his or her tax return.

Your Filing Status	Enter On Line 18
1 — Single	\$3,410
2 — Married filing jointly	\$6,820
3 — Married filing separately	\$3,410
4 — Head of household	\$6,820
5 — Qualifying widow(er)	\$6,820

Note: The California standard deduction amounts are less than the federal standard deduction amounts.

California Standard Deduction Worksheet for Dependents

Use this worksheet only if your parent, or someone else, can claim you (or your spouse) as a dependent on his or her tax return.

1. Enter your earned income from: line 1 of the "Standard Deduction Worksheet for Dependents" in the instructions for federal Form 1040; Form 1040A; or from line B of the worksheet on the back of Form 1040EZ. 1 _____
2. Minimum standard deduction. 2 **\$850.00**
3. Enter the **larger** of line 1 or line 2 here. 3 _____
4. Enter the amount shown for your filing status:
 - Single or married filing separately, enter \$3,410
 - Married filing jointly, head of household, or qualifying widow(er), enter \$6,820 } 4 _____
5. **Standard deduction.** Enter the **smaller** of line 3 or line 4 here and on Form 540, line 18 5 _____

Line 19 — Taxable Income

Capital Construction Fund (CCF). If you claim a deduction on your federal Form 1040, line 43 for the contribution made to a capital construction fund set up under the Merchant Marine Act of 1936, reduce the amount you contributed on line 19 by the amount of the deduction. Next to line 19,

Tax

Line 20 – Tax

✓ Tip

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Line 25 through Line 27 – Additional Special Credits

A code number identifies each credit. To claim only one or two credits, enter the credit name, code number, and amount of the credit on line 25 and line 26. To claim more than two credits, use Schedule P (540), Part III. See "Order Forms and Publications" on page 67. List two of the credits on line 25 and line 26. Enter the total of any remaining credits from Schedule P (540) on line 27.

Important: Attach Schedule P (540) and any supporting schedules or statements to your Form 540.

Carryovers: If you claim a credit with carryover provisions and the amount of the credit available this year exceeds your tax, carry over any excess credit to future years until the credit is used (unless the carryover period is a fixed number of years). If you claim a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of the credit. Otherwise, enter the amount of the credit on Schedule P (540), Part III, and do not attach form FTB 3540.

Credit for Joint Custody Head of Household — Code 170

Note: You may not claim this credit if you used either the head of household or qualifying widow(er) filing status.

Claim the credit if unmarried at the end of 2006 (or if married, you lived apart from your spouse for all of 2006 and you used the married filing separately filing status); and if you furnished more than one-half the household expenses for your home that also served as the main home of your child, step-child, or grandchild for at least 146 days but not more than 219 days of the taxable year. If the child is married, you must be entitled to claim a dependent exemption credit for the child.

Also, the custody arrangement for the child must be part of a decree of dissolution or legal separation or part of a written agreement between the parents where the proceedings have been initiated, but a decree of dissolution or legal separation has not yet been issued.

Use the worksheet below to figure the joint custody head of household credit.

- | | | |
|--|-----|-----------|
| 1. Enter the amount from Form 540, line 24 | 1 | _____ |
| 2. Credit percentage — 30% | 2 x | _____ .30 |
| 3. Credit amount. Multiply line 1 by line 2.
Enter the result or \$363, whichever is less | 3 | _____ |

If you qualify for the credit for Joint Custody Head of Household and the Credit for Dependent Parent, claim only one credit. Select the credit that allows the maximum benefit.

Credit for Dependent Parent — Code 173

Note: You may **not** claim the credit for dependent parent if you used the single, head of household, qualifying widow(er), or married filing jointly filing status.

Claim this credit only if:

- You were married at the end of 2006 and you used the married filing separately filing status; and
- Your spouse was not a member of your household during the last six months of the year; and
- You furnished over one-half the household expenses for your dependent mother's or father's home, whether or not she or he lived in your home.

To figure the amount of this credit, use the worksheet above for the credit for joint custody head of household. If you qualify for the Credit for Joint Custody Head of Household and the Credit for Dependent Parent, claim only one. Select the credit that will allow the maximum benefit.

Credit for Senior Head of Household — Code 163

You may claim this credit if you:

- Were 65 years of age or older on December 31, 2006*;
- Qualified as a head of household in 2004 or 2005 by providing a household for a qualifying individual who died during 2004 or 2005; and
- Did not have adjusted gross income over \$58,963 for 2006.

* If your 65th birthday is on January 1, 2007, you are considered to be age 65 on December 31, 2006.

Note: If you meet all the conditions listed above, you do not need to qualify to use the head of household filing status for 2006 in order to claim this credit.

Use this worksheet to figure this credit.

- | | | |
|--|-----|-----------|
| 1. Enter the amount from Form 540, line 19 | 1 | _____ |
| 2. Credit percentage — 2% | 2 x | _____ .02 |
| 3. Credit amount. Multiply line 1 by line 2.
Enter the result or \$1,111, whichever is less | 3 | _____ |

Credit for Child Adoption Costs — Code 197

For the year in which an adoption decree or an order of adoption is entered (e.g., adoption is final), claim a credit for 50% of the cost of adopting a child who was **both**:

- A citizen or legal resident of the United States; and
- In the **custody** of a California public agency or a California political subdivision.

Treat a prior unsuccessful attempt to adopt a child (even when the costs were incurred in a prior year) and a later successful adoption of a different child as one effort when computing the cost of adopting the child. Include the following costs if directly related to the adoption process:

- Fees for Department of Social Services or a licensed adoption agency.
- Medical expenses not reimbursed by insurance.
- Travel expenses for the adoptive family.

Note:

- This credit does not apply when a child is adopted from another country or another state, or was not in the custody of a California public agency or a California political subdivision.
- Any deduction for the expenses used to claim this credit must be reduced by the amount of the child adoption costs credit claimed.

Use the worksheet below to figure this credit. If more than one adoption qualifies for this credit, complete a separate worksheet for each adoption. The maximum credit is limited to \$2,500 per minor child.

- | | | |
|--|-----|-----------|
| 1. Enter qualifying costs for the child | 1 | _____ |
| 2. Credit percentage — 50% | 2 x | _____ .50 |
| 3. Credit amount. Multiply line 1 by line 2.
Do not enter more than \$2,500 | 3 | _____ |

Your allowable credit is limited to \$2,500 for 2006. Carry over the excess credit to future years until the credit is used.

Line 28 – Nonrefundable Renter's Credit

Did you pay rent for at least six months in 2006 on your principal residence located in California?

Yes You may qualify to claim this credit which may reduce your tax.
Complete the qualification record on page 57.

No Go to line 29.

Line 30 — Subtract the amount on line 29 from the amount on line 24. Enter the result on line 30. If the amount on line 29 is more than the amount on line 24, enter -0-. If you owe interest on deferred tax from installment obligations, include the additional tax, if any, in the amount you enter on line 30. Write "IRC Section 453 interest" or "IRC Section 453A interest" and the amount on the dotted line to the left of the amount on line 30.

Other Taxes

Attach the specific form or statement required for each item below.

Line 31 – Alternative Minimum Tax (AMT)

If you claim certain types of deductions, exclusions, and credits, you may owe AMT if your total income is more than:

- \$73,916 married filing jointly or qualifying widower(er); or
- \$55,437 single or head of household; or
- \$36,956 married filing separately

A child under age 14 may owe AMT if the sum of the amount on line 19 (taxable income) and any preference items listed on Schedule P (540) and included on the return is more than the sum of \$5,500 and the child's earned income.

AMT income does not include income, adjustments, and items of tax preference related to any trade or business of a qualified taxpayer who has gross receipts, less returns and allowances, during the taxable year of less than \$1,000,000 from **all** trades or businesses.

Get Schedule P (540) for more information. See "Order Forms and Publications" on page 67.

Line 32 – Mental Health Services Tax

If your taxable income is more than \$1,000,000, compute the Mental Health Services Tax below:

A. Taxable income from Form 540, line 19	
B. Less	<u>\$(1,000,000)</u>
C. Subtotal	
D. Multiply line C by 1%	<u>x .01</u>
E. Mental Health Services Tax – Enter this amount here and on Form 540, line 32	

Line 33 – Other Taxes and Credit Recapture

If you received an early distribution of a qualified retirement plan and were required to report additional tax on your federal return, you may also be required to report additional tax on your California tax return. Get form FTB 3805P, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts. If required to report additional tax, report it on line 33 and write "FTB 3805P" to the left of the amount.

California conforms to federal law for income received under IRC section 409A on a nonqualified deferred compensation plan. Income received under IRC section 409A is subject to an additional 20% tax plus interest. Include the additional tax, if any, on line 33. Write "NQDC" on the dotted line to the left of the amount.

If you used form(s)

- FTB 3501, Employer Child Care Program/Contribution Credit;
- FTB 3508, Solar or Wind Energy System Credit;
- FTB 3805Z, Enterprise Zone Deduction and Credit Summary;
- FTB 3806, Los Angeles Revitalization Zone (LARZ) Deduction and Credit Summary;
- FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary;
- FTB 3808, Manufacturing Enhancement Area Credit Summary; or
- FTB 3809, Targeted Tax Area Deduction and Credit Summary;

Include the additional tax, if any, on line 33. Write the form number on the dotted line to the left of the amount on line 33.

Payments

To avoid a delay in the processing of your return, enter the correct amounts on line 36 through line 43.

Line 36 – California Income Tax Withheld

Enter the total California income tax withheld from your:

- Form(s) W-2, box 17; • Form(s) 1099-MISC, box 16; or
- CA Sch. W-2; • Form(s) 1099-R, box 10.
- Form(s) W-2G, box 14;

Note: The Franchise Tax Board verifies all withholding claimed from Form W-2, CA Sch. W-2, Form W-2G, 1099-MISC, or 1099-R with the Employment Development Department.

Caution: Do not include city, local, or county tax withheld or tax withheld by other states. Do not include withholding from Forms 592-B, 593-B, or 594, on this line. For more details, see instructions for line 38 on this page.

Caution: Generally, tax should not be withheld on Form 1099-MISC. If you want to pre-pay tax on income reported on Form 1099-MISC, use Form 540-ES, Estimated Tax for Individuals.

Line 37 – 2006 CA Estimated Tax and Other Payments

Enter the total of any:

- California estimated tax payments you made using 2006 Form 540-ES or Web Pay;
- Overpayment from your 2005 California income tax return that you applied to your 2006 estimated tax;
- Payment you sent with form FTB 3519, Automatic Extension for Individuals; and
- California estimated tax payments made on your behalf by an estate, trust, or S Corporation on Schedule K-1 (541) or Schedule K-1 (100S).



Note: To view payments made or get your current account balance, go to our Website at www.ftb.ca.gov and search for view payments.

If you and your spouse paid joint estimated taxes but are now filing separate income tax returns, either of you may claim the entire amount paid, or each may claim part of the joint estimated tax payments. If you want the estimated tax payments to be divided, notify the FTB before you file the tax returns so the payments can be applied to the proper account. The FTB will accept in writing, any divorce agreement (or court ordered settlement) or a statement

showing the allocation of the payments along with a notarized signature of both taxpayers.

Send statements to:

JOINT ESTIMATED CREDIT ALLOCATION MS F225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO, CA 94240-0040

If you or your spouse made separate estimated tax payments, but are now filing a joint income tax return, add the amounts you each paid. Attach a statement to the front of Form 540 explaining that payments were made under both social security numbers.

Note: You do not have to make estimated tax payments if you are a nonresident or new resident of California in 2007 and did not have a California tax liability in 2006.

Line 38 – Real Estate and Other Withholding

Enter the total of California withholding from the sale of real estate, Form 593-B or California payments, Forms 592-B or 594 on this line. Attach a copy of Forms 592-B, 593-B, or 594, to the lower front of Form 540, Side 1.

Caution: Do not include withholding from Form(s) W-2, CA Sch. W-2, Form(s) W-2G, or Form(s) 1099 on this line.

Line 39 – Excess California SDI (or VPD) Withheld

You may claim a credit for excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) if you meet **all** of the following conditions:

- You had **two or more** California employers during 2006;
- You received more than \$79,418 in wages; and
- The amounts of SDI (or VPD) withheld appear on your Forms W-2 or CA Sch W-2. Be sure to attach your Forms W-2 or CA Sch W-2 to your Form 540.

If SDI (or VPD) was withheld from your wages by a single employer, at more than 0.8% of your gross wages, you may not claim excess SDI (or VPD) on your Form 540. Contact the employer for a refund.

To determine the amount to enter on line 39, complete the Excess SDI (or VPD) Worksheet below. If married filing jointly, figure the amount of excess SDI (or VPD) separately for each spouse.

Excess SDI (or VPD) Worksheet

Follow the instructions below to figure the amount of income tax to enter on Form 540, line 39. If you are married and file a joint return, you must figure the amount of excess SDI (or VPD) separately for each spouse.

	You	Your Spouse
1. Add amounts of SDI (or VPD) withheld shown on your Forms W-2. Enter the total here.	1	
2. 2006 SDI (or VPD) limit	2 \$635.34	\$635.34
3. Excess SDI (or VPD) withheld. Subtract line 2 from line 1. Enter the results here. Combine the amounts on line 3 and enter the total on Form 540, line 39	3	

Note: If zero or less, enter -0- on line 39.

Line 40 through Line 43 – Child and Dependent Care Expenses Credit

Claim this credit if you paid someone to care for your qualifying child under the age of 13, other dependent who is physically or mentally incapable of caring for him or herself, or spouse if physically or mentally incapable of caring for him or herself. The care must be provided in California. To claim this credit, your federal adjusted gross income must be less than or equal to \$100,000 and you must complete and attach form FTB 3506, Child and Dependent Care Expenses Credit, included in this booklet.

Line 40 and Line 41

Enter the qualifying person's social security number. Do not enter more than one qualifying person's SSN on line 40 or line 41 from form FTB 3506, Part III, line 2. If you have more than two qualifying persons, enter only the first two qualifying persons listed on form FTB 3506, Part III, line 2.

Line 42

Enter the amount from form FTB 3506, Part III, line 8 (**do not** round this amount).

Line 43

Enter the credit amount from form FTB 3506, Part III, line 12 (**do not** round this amount).

Line 44

For the Claim of Right credit, follow the reporting instructions in Schedule CA (540) under the Claim of Right.

Claim of Right: If you are claiming the tax deduction on your California return, include the amount of the credit in the total for this line. Write in "IRC 1341" and the amount of the credit to the left of the amount column.

Caution: To determine if you are entitled to this deduction, refer to your prior year California 540/540A, 540NR Long Form, Schedule CA (540), Schedule CA (540NR), column E, to verify the amount was included in your CA taxable income. If the amount repaid under a "Claim of Right" was not originally taxed by California, you are not entitled to claim the deduction.

Overpaid Tax or Tax Due

Note: If you received a refund for 2005, you may receive a Form 1099-G, Certain Government Payments. The refund amount reported on your Form 1099-G will be different from the amount shown on your tax return if you claimed the Child and Dependent Care Expenses Credit. This is because the credit is not part of the refund from withholding or estimated tax payments.

To avoid delay in processing of your return, enter the correct amounts on line 45 through line 48.

Line 45 – Overpaid Tax

If the amount on line 44 is more than the amount on line 34, your payments and credits are more than your tax. Subtract the amount on line 34 from the amount on line 44. Enter the result on line 45.



Choose e-file and Direct Deposit and get your refund faster.

Line 46 – Amount You Want Applied to Your 2007 Estimated Tax

Apply all or part of the amount on line 45 to your estimated tax for 2007. Enter on line 46 the amount of line 45 that you want applied to your 2007 estimated tax.

An election to apply an overpayment to estimated tax is binding. Once the election is made, the overpayment cannot be applied to a deficiency after the due date of the return.

Line 47 – Overpaid Tax Available This Year

If you entered an amount on line 46, subtract it from the amount on line 45. Enter the result on line 47. Choose to have this entire amount refunded to you, make contributions to the California Seniors Special Fund (see page 59), or make other voluntary contributions from this amount. If you make a contribution, skip line 48 and go to the Use Tax section of the tax return.

Line 48 – Tax Due

If the amount on line 44 is less than the amount on line 34, subtract the amount on line 44 from the amount on line 34. Enter the result on line 48. Your tax is more than your payments and credits.

There is a penalty for not paying enough tax during the year. You may have to pay a penalty if:

- The tax due on line 48 is \$200 or more (\$100 or more if married filing separately); and
- The amount of state income tax withheld on line 36 is less than 90% of the amount of your total tax on line 34.

If this applies to you, go to line 67.

Increasing your withholding could eliminate the need to make a large payment with your tax return. To increase your withholding, complete Employment Development Department (EDD) Form DE 4, Employee's Withholding Allowance Certificate, and give it to your employer's appropriate payroll staff. Get this form from your employer or by calling EDD at (888) 745-3886. Download the DE 4 at www.edd.ca.gov or use the online calculator by going to www.ftb.ca.gov and searching for DE 4.

Note: Form DE 4 specifically adjusts your California state withholding and is not the same as the federal Form W-4, Employee's Withholding Allowance Certificate.

Use Tax**Line 49 – Use Tax. This is not a total line.**

As explained on page 6, California use tax applies to purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person).

You may report use tax on your income tax return instead of filing a use tax return with the State Board of Equalization. To report use tax on your income tax return, complete the Use Tax Worksheet on this page. For questions on whether a purchase is taxable, go to the State Board of Equalization's Website at www.boe.ca.gov, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

If you owe use tax but choose not to report it on your income tax return, you must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Individual Use Tax, from www.boe.ca.gov or request a copy by calling the State Board of Equalization's Information Center.

Use Tax Penalty

Failure to timely report and pay the use tax due may result in the assessment of penalties.

Note: Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

See page 6 for a general explanation of California use tax.

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions below. \$ _____ .00
2. Enter the decimal equivalent of the applicable sales and use tax rate. See chart on page 20 _____
3. Multiply line 1 by the tax rate on line 2. Enter result here \$ _____ .00
4. Enter any sales or use tax you paid to another state for purchases included on line 1. See worksheet instructions below and on page 18 \$ _____ .00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 49. If the amount is less than zero, enter -0-. \$ _____ .00

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items that would have been taxable in a California store. For example, you would include purchases of clothing, but not purchases of prescription medicine.
- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.
- If you traveled to a foreign country and brought items back to California, generally the use tax is due on the purchase price of the goods you listed on your U.S. Customs Declaration less the \$400 per-person exemption. This \$400 exemption does not apply to goods sent or shipped to California by mail or other common carrier.
- If your filing status is "married filing separately," you may elect to report one-half of the use tax due or the entire amount on your income tax return. If you elect to report one-half, your spouse may report the remaining half on his or her income tax return or on the individual use tax return available from the State Board of Equalization (see discussion of Publication 79-B on this page).

Note: Do not report the following on your income tax return:

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the decimal equivalent of the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375.
- If you do not know the applicable rate, see the table on page 20, "Sales and Use Tax Rates by County." If you have questions regarding the use tax rate in effect in your area, please go to the State Board of Equalization's Website at www.boe.ca.gov or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states. You cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if you paid \$8.00 sales tax to another state for a purchase, and would have paid \$6.00 in California, you can claim a credit of only \$6.00 for that purchase.

Contributions

To make contributions, see the funds listed on Form 540, Side 2. See page 59 for a description of the funds.

Amount You Owe

Add or subtract correctly to figure the amount you owe.

Line 65 – Amount You Owe

Add the amount on line 48, line 49, and line 64, if any. Enter the result on line 65.

To avoid a late filing penalty, file your Form 540 by the extended due date even if you cannot pay the amount you owe.

Payment Options

- Electronic Funds Withdrawal** – Instead of paying by check or money order, use this convenient option if you e-file. Simply provide your bank information, amount you want to pay, and the date you want the balance due to be withdrawn from your account. Your tax preparation software will offer this option.
- Web Pay** – Pay the amount you owe using our secure online payment service. Go to our Website at www.ftb.ca.gov for more information.
- Check or Money Order** – Make your check or money order payable to the "Franchise Tax Board." **Do not send cash.** Write your SSN or ITIN and "2006 Form 540" on the check or money order. Enclose, but do not staple, your payment with your return.

Note: Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution. Do not combine your 2006 tax payment and any 2007 estimated tax payment in the same check. Prepare two separate checks and mail each in a separate envelope.

A penalty may be imposed if your check is returned by your bank for insufficient funds.

- Credit Card** – Use your Discover/NOVUS, MasterCard, Visa, or American Express card to pay your tax. If you pay by credit card, do not mail form FTB 3519 to us. Call (800) 272-9829 or visit the Official Payments Corp. Website at www.officialpayments.com, and use the jurisdiction code 1555. Official Payments Corp. charges a convenience fee for using this service.

Paying by Credit Card – Whether you e-file or file by mail, use your Discover/Novus, MasterCard, Visa, or American Express card to pay your personal income taxes (tax return balance due, extension payment, estimated tax payment, or tax due with bill notice). **There is a convenience fee for this service.** This fee is paid directly to Official Payments Corp. based on the amount of your tax payment.

Convenience Fee

- 2.5% of the tax amount charged (rounded to the nearest cent)
- Minimum fee: \$1

Example:

Tax Payment = \$753.56 Convenience Fee = \$18.84

When will my payments be effective?

Your payment is effective on the date you charge it.

What if I change my mind?

If you pay your tax liability by credit card and later reverse the credit card transaction, you may be subject to penalties, interest, and other fees imposed by the Franchise Tax Board for nonpayment or late payment of your tax liability.

How do I use my credit card to pay my income tax bill?

Once you have determined the type of payment and how much you owe, have the following ready:

- Your Discover/Novus, MasterCard, Visa, or American Express card
- Credit card number
- Expiration date
- Amount you are paying
- Your and your spouse's SSN or ITIN
- First 4 letters of your and your spouse's last name
- Tax year
- Home phone number (including area code)
- ZIP Code for address where your monthly credit card bill is sent
- FTB Jurisdiction Code: 1555

Go to the Official Payments Corp. Website at www.officialpayments.com and select Payment Center, or use the toll-free number at (800) 2PAY-TAX or (800) 272-9829. Follow the recorded instructions. Official Payments Corp. will tell you the convenience fee before you complete your transaction. You can decide whether to complete the transaction at that time.

Payment Date: _____

Confirmation Number: _____

If you cannot pay the full amount or can only make a partial payment for the amount shown on line 68, see the information regarding Installment Payments on page 28.

Interest and Penalties

If you file your return or pay your tax after the due date, you may owe interest and penalties on the tax due.

Note: Do not reduce the amount on line 45 or increase the amount on line 48 by any penalty or interest amounts. Enter on line 66 the amount of interest and penalties.

Line 66 – Interest and Penalties

Interest. Interest will be charged on any late filing or late payment penalty from the original due date of the return to the date paid. In addition, if other penalties are not paid within **15** days, interest will be charged from the date of the billing notice until the date of payment. Interest compounds daily and the interest rate is adjusted twice a year. The FTB Website has a chart of interest rates in effect since 1976. Go to www.ftb.ca.gov and search for **interest**.

Late Filing of Return. The maximum total penalty is 25% of the tax not paid if the return is filed after October 15, 2007. The minimum penalty for filing a return more than 60 days late is \$100 or 100% of the balance due, whichever is less.

Late Payment of Tax. The penalty is 5% of the tax not paid when due plus 1/2% for each month, or part of a month, the tax remains unpaid. However, the underpayment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return.

Penalties. To avoid late payment penalties for use tax, you must report and pay the use tax with a timely filed income tax return.

Other Penalties. We may impose other penalties if a payment is returned for insufficient funds. We may also impose penalties for negligence, substantial understatement of tax, and fraud.

Line 67 – Underpayment of Estimated Tax

You may be subject to an estimated tax penalty if any of the following is true:

- Your withholding and credits are less than 90% of your current tax year liability,
- Your withholding and credits are less than or 100% of your prior year tax liability (110% if AGI is more than \$150,000 or \$75,000 if married filing separately),
- You did not pay enough through withholding to keep the amount you owe with your return under \$200.

The Franchise Tax Board can figure the penalty for you when you file your return and send you a bill.

Is line 48 less than \$200 (\$100 if married filing separately)?

Yes Stop. You are not subject to an estimated payment penalty.

No Continue. You may be subject to an estimate payment penalty.

Is line 48 less than 10% of the amount on line 30 (excluding the tax on lump-sum distributions on line 23)?

Yes Stop. You are not subject to an estimated payment penalty.

No You may be subject to an estimate payment penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries (or

form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen).

For taxable years beginning on or after January 1, 2005, the underpayment of estimated tax penalty shall not apply to the extent the underpayment of an installment was created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment. To request a waiver of the underpayment of estimated tax penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries or form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fisherman.

If you complete one of these forms, attach it to the back of your Form 540. Enter the amount of the penalty on line 67 and fill in the correct circle on line 67. Complete and attach the form if you claim a waiver, use the annualized income installment method, or pay tax according to the schedule for farmers and fishermen, even if you do not owe a penalty.

See page 2, Important due dates, for more information on estimated tax payments and how to avoid the underpayment penalty.

See the instructions for line 68 for information about figuring your payment, if any.

Line 68 – Total Amount Due

Is there an amount on line 65?

Yes Add line 65, line 66 and line 67. Enter the result on line 68. For payment options, see line 65 instructions.

No Go to line 69.

Note: Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

Refund or No Amount Due

Line 69 – Refund or No Amount Due

Did you report amounts on line 49, line 64, line 66, or line 67?

No Enter the amount from line 47 on line 69. This is your refund amount. If it is less than \$1, attach a written statement to your Form 540 requesting the refund.

Yes Combine the amounts from line 49, line 64, line 66, or line 67. If the result is:

More than line 47, subtract line 47 from the sum of line 49, line 64, line 66, and line 67 and enter the result on line 68. This is your total amount due. For payment options, see line 65 instructions.

Less than line 47, subtract the sum of line 49, line 64, line 66, and line 67 from line 47 and enter on line 69. This is your refund amount.

Want a fast refund? Get your refund in 10 days or less when you e-file your return.

Direct Deposit (Refund Only)

Line 70 and Line 71 – Direct Deposit of Refund

Direct deposit is fast, safe, and convenient. To have your refund directly deposited into your bank account, fill in the account information on Form 540, Side 2, line 70 and line 71. Fill in the routing and account numbers and indicate the account type. **Do not** attach a voided check or deposit slip. See the illustration in the next column.

Individual taxpayers may request that his or her refund be electronically deposited into more than one checking or savings account. This allows more options for managing your refund. For example, you can request part of your refund go to your checking account to use now and the rest to your savings account to save for later.

The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise the direct deposit will be rejected and a paper check will be sent instead. On the sample check, the routing number is 250250025.

Check the appropriate box for the type of account. Do not check more than one box for each line.

Enter the portion of your refund you want directly deposited into each account. Each deposit must be at least \$1. The total of line 70 and line 71 must equal the total amount of your refund.



Tip Do not use a deposit slip to find the bank numbers. Contact your financial institution for assistance in getting the correct routing number.

Note: The Franchise Tax Board is not responsible when a financial institution rejects a direct deposit. If the bank or financial institution rejects the direct deposit due to an error in the routing number, the Franchise Tax Board will issue a paper check.

**John Doe
Jackie Doe**
1234 Main Street
Anytown, CA 99999

1234
15-0000/0000

20

PAY TO THE ORDER OF \$

ANYTOWN BANK
Anytown, CA 99999

Routing number: 250250025
Account number: 1202020
Check number: 1234

Do not include the check number

DOLLARS

Sign Your Return

You must sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also. See below for more information on verifying and checking information on your return, attachments to your return, and assembling and mailing your return.

Joint Return. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may be liable. See "Innocent Spouse Relief," on page 6.

For information about Power of Attorney, go to our Website at www.ftb.ca.gov.

Filing Your Return

Attachments to your return

Do I need to attach a copy of federal Form 1040?

Form 540A Filers:

Do not attach a copy of your federal 1040 return to Form 540A.

Form 540 Filers:

Did you attach any federal forms or schedules other than Schedule A or Schedule B to your federal Form 1040?

If No, do not attach a copy of your federal 1040 return to Form 540.

If Yes, attach a copy of your federal 1040 return and all supporting federal forms and schedules to Form 540.

Exception: If you did not itemize deductions on your federal tax return but will itemize deductions on your California tax return, complete and attach a copy of the federal Schedule A to Form 540.

Note: Please do not attach any documents to your return unless specifically instructed. This will help us reduce government processing and storage costs.

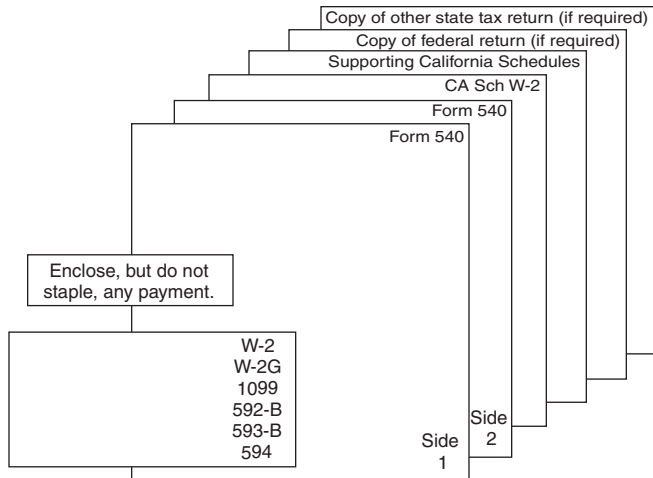
Form(s) W-2, W-2G, 592-B, 593-B, 594, and 1099: Make sure to attach all the Form(s) W-2 and W-2G you received to the front of your return. If you completed CA Sch W-2, attach CA Sch W-2 behind Side 2 of the tax return.

If you do not receive your Form(s) W-2 by January 31, 2007, contact your employer. Only your employer can issue or correct a Form W-2. If you cannot get a copy of your Form W-2, you must complete form FTB 3525, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc. See "Order Forms and Publications" on page 67 or go to our Website at www.ftb.ca.gov.

If you forget to send your Form(s) W-2 or other withholding forms with your income tax return, do not send them separately, or with another copy of your return. Wait until the Franchise Tax Board requests them from you.

Assembling Your Return

Assemble your return in the order shown below.



Mailing your return

Mail your return using the envelope provided in this booklet. If your return shows a refund or no amount due, be sure to attach the green label to the front of the envelope. The address is:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

If your return has an amount due, be sure to attach the white label to the front of the envelope. The address is:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

Sales and Use Tax Rates by County

(Includes state, local, and district taxes)

As of December 31, 2006

County	Rate	County	Rate
Alameda	8.75%	Orange ¹	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa	7.25%	San Benito ¹	7.25%
Contra Costa ¹	8.25%	San Bernardino ¹	7.75%
Del Norte	7.25%	San Diego ¹	7.75%
El Dorado ¹	7.25%	San Francisco	8.50%
Fresno ¹	7.975%	San Joaquin ¹	7.75%
Glenn	7.25%	San Luis Obispo	7.25%
Humboldt ¹	7.25%	San Mateo	8.25%
Imperial ¹	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz ¹	8.00%
Kings	7.25%	Shasta	7.25%
Lake ¹	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles ¹	8.25%	Solano	7.375%
Madera	7.25%	Sonoma ¹	7.75%
Marin ¹	7.75%	Stanislaus	7.375%
Mariposa	7.75%	Sutter	7.25%
Mendocino ¹	7.25%	Tehama	7.25%
Merced ¹	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare ¹	7.25%
Mono	7.25%	Tuolumne ¹	7.25%
Monterey ¹	7.25%	Ventura	7.25%
Napa	7.75%	Yolo ¹	7.25%
Nevada ¹	7.375%	Yuba	7.25%

¹ Many cities in California impose a district tax, which results in a higher sales and use tax rate than in other parts of the county. If you are reporting an item that was purchased for use in any of the following cities, please use the appropriate tax rate shown below. The following tax rates apply within the city limits of the listed community.

County	City	Citywide Rate
Contra Costa	Richmond	8.75%
El Dorado	Placerville	7.50%
El Dorado	South Lake Tahoe	7.75%
Fresno	Clovis	8.275%
Humboldt	Trinidad	8.25%
Imperial	Calexico (effective 4/01/2006) ^a	7.75%
Lake	Clearlake	7.75%
Lake	Lakeport	7.75%
Los Angeles	Avalon	8.75%
Marin	San Rafael (effective 4/01/2006) ^b	8.25%
Mendocino	Fort Bragg	7.75%
Mendocino	Point Arena	7.75%
Mendocino	Ukiah	7.75%
Mendocino	Willits	7.75%
Merced	Los Banos	7.75%
Merced	Merced (effective 4/01/2006) ^c	7.75%
Monterey	Salinas (effective 4/01/2006) ^d	7.75%
Monterey	Sand City	7.75%
Nevada	Town of Truckee	7.875%
Orange	Laguna Beach (effective 7/01/2006) ^k	8.25%
San Benito	San Juan Bautista	8.00%
San Bernardino	Montclair	8.00%
San Diego	El Cajon	8.25%
San Diego	National City (effective 10/01/2006) ^l	8.75%
San Joaquin	Stockton	8.00%
Santa Cruz	Capitola	8.25%
Santa Cruz	Santa Cruz	8.25%
Santa Cruz	Scotts Valley (effective 4/01/2006) ^e	8.50%
Sonoma	Sebastopol	8.00%
Sonoma	Santa Rosa	8.00%
Tulare	Dinuba (effective 4/01/2006) ^f	8.00%
Tulare	Farmersville	7.75%
Tulare	Porterville (effective 4/01/2006) ^g	7.75%
Tulare	Tulare (effective 4/01/2006) ^h	7.75%
Tulare	Visalia	7.50%
Tuolumne	Sonora	7.75%
Yolo	Davis	7.75%
Yolo	West Sacramento	7.75%
Yolo	Woodland (effective 10/1/06) ^{ij}	7.75%

^a The tax rate in Calexico prior to April 1, 2006, was 8.25%.

^b The tax rate in San Rafael prior to April 1, 2006, was 7.75%.

^c The tax rate in City of Merced prior to April 1, 2006, was 7.25%.

^d The tax rate in Salinas prior to April 1, 2006, was 7.25%.

^e The tax rate in Scotts Valley prior to April 1, 2006, was 8.00%.

^f The tax rate in Dinuba prior to April 1, 2006, was 7.25%.

^g The tax rate in Porterville prior to April 1, 2006, was 7.25%.

^h The tax rate in City of Tulare prior to April 1, 2006, was 7.25%.

ⁱ The tax rate in Woodland prior to July 1, 2006, was 7.75%.

^j The tax rate in Woodland from July 1, 2006 to September 30, 2006, was 7.25%.

^k The tax rate in Laguna Beach prior to July 1, 2006, was 7.75%.

^l The tax rate in National City prior to October 1, 2006, was 7.75%.

Nonrefundable Renter's Credit Qualification Record



e-file and skip this page! The software you use to e-file will help you find out if you qualify for this credit and will figure the correct amount of the credit automatically. Go to our Website at www.ftb.ca.gov to check your e-file options.

If you were a resident of California and paid rent on property in California, which was your principal residence, you may qualify for a credit that you can use to reduce your tax. Answer the questions below to see if you qualify. **Do not mail this record. Keep with your tax records.**

1. Were you a resident of California for the entire year in 2006?

Military personnel. If you are not a legal resident of California, you do not qualify for this credit. However, your spouse may claim this credit if he or she was a resident, did not live in military housing during 2006, and is otherwise qualified.

YES. Go to question 2.

NO. Stop. File the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. See "Order Forms and Publications" on page 67.

2. Is your California adjusted gross income the amount on Form 540A, line 14 or Form 540, line 17:

- \$32,272 or less if single or married filing separately; or
- \$64,544 or less if married filing jointly, head of household, or qualifying widow(er)?

YES. Go to question 3.

NO. Stop here. You do not qualify for this credit.

3. Did you pay rent, for at least half of 2006, on property (including a mobile home that you owned on rented land) in California, which was your principal residence?

YES. Go to question 4.

NO. Stop here. You do not qualify for this credit.

4. Can you be claimed as a dependent by a parent, foster parent, legal guardian, or any other person in 2006?

NO. Go to question 6.

YES. Go to question 5.

5. For more than half the year in 2006, did you live in the home of the person who can claim you as a dependent?

NO. Go to question 6.

YES. Stop here. You do not qualify for this credit.

6. Was the property you rented exempt from property tax in 2006?

You do not qualify for this credit if, for more than half of the year, you rented property that was exempt from property taxes. Exempt property includes most government-owned buildings, church-owned parsonages, college dormitories, and military barracks. However, if you or your landlord paid possessory interest taxes for the property you rented, then you may claim this credit.

NO. Go to question 7.

YES. Stop here. You do not qualify for this credit.

7. Did you claim the homeowner's property tax exemption anytime during 2006?

You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.

NO. Go to question 8.

YES. Stop here. You do not qualify for this credit.

8. Were you single in 2006?

YES. Go to question 11.

NO. Go to question 9.

9. Did your spouse claim the homeowner's property tax exemption anytime during 2006?

You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.

NO. Go to question 11.

YES. Go to question 10.

10. Did you and your spouse maintain separate residences for the entire year in 2006?

YES. Go to question 11.

NO. Stop here. You do not qualify for this credit.

11. If you are:

- Single, enter \$60 below.
- Married filing separately, if you and your spouse file separate returns, lived in the same rental property and both qualify for this credit, one spouse may claim the full amount of the credit (\$120), or each spouse may claim half the amount (\$60 each).
- Married filing jointly, head of household, or qualifying widow(er), enter \$120 below. Enter this figure on Form 540A, line 19 or Form 540, line 28.

\$ _____

Fill in the street address(es) and landlord information below for the residence(s) you rented in California during 2006, which qualified you for this credit.

Street Address	City, State, and ZIP Code	Dates Rented in 2006 (From _____ to _____)
----------------	---------------------------	--

a _____

b _____

Enter the name, address, and telephone number of your landlord(s) or the person(s) to whom you paid rent for the residence(s) listed above.

Name	Street Address	City, State, ZIP Code, and Telephone Number
------	----------------	---

a _____

b _____

CREDIT CHART

Credit Name	Code	Description
Child Adoption – Worksheet on page 15	197	50% of qualified costs in the year an adoption is ordered
Child and Dependent Care Expenses – FTB 3506 See the instructions on page 63	None	Similar to the federal credit except that the California credit amount is based on a specified percentage of the federal credit and is refundable
Community Development Financial Institution Deposits – Certification Required	209	20% of each qualified deposit made to a community development financial institution Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall, Suite 1600, Sacramento CA 95814, or go to www.insurance.ca.gov
Dependent Parent – See page 15	173	Must use married filing separately status and have a dependent parent
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to \$125 based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program – FTB 3501	189	Employer: 30% of cost for establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California.
Enterprise Zone Employee – FTB 3553	169	5% of wages from work in an enterprise zone
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses
Environmental Tax – FTB 3511	218	Five cents (\$.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a small refiner at any facility located in this state
Farmworker Housing – Certification required	207	50% of new construction or rehabilitation costs for farmworker housing Obtain certification from: Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento CA 95814, or go to www.treasurer.ca.gov
Joint Custody Head of Household – Worksheet on page 15	170	30% of tax up to \$363 for taxpayers who are single or married filing separately, who have a child and meet the support test
Joint Strike Fighter Wages – FTB 3534	215	EXPIRED – form available for carryover and recapture only
Joint Strike Fighter Property Costs – FTB 3534	216	EXPIRED – form available for carryover and recapture only
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRA's
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area (MEA) Hiring – FTB 3808	211	Percentage of qualified wages paid to qualified disadvantaged individuals
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government
Nonrefundable Renter's – See page 57	None	For California residents who paid rent for their principal residence for at least 6 months in 2006 and whose AGI does not exceed a certain limit
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2006
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Rice Straw – Certification required	206	\$15 per ton of purchased rice straw grown in California Obtain certification from: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N Street, Room 140, Sacramento, CA 95814, or go to www.cdfa.ca.gov
Senior Head of Household – Worksheet on page 15	163	2% of taxable income up to \$1,111 for seniors who qualified for head of household in 2004 or 2005 and whose qualifying individual died during 2004 or 2005
Solar or Wind Energy System – FTB 3508	217	EXPIRED – form available for carryover and recapture only
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTA businesses
Teacher Retention – FTB 3505	212	Credentialed teachers may be able to claim a credit of up to \$1,500 (per individual) based on years of service and the limitation based on income. This credit is suspended for taxable years 2004, 2005, and 2006.

Repealed Credits: The expiration dates for these credits have passed. However, these credits had carryover provisions. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (540), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years. See "Where To Get Income Tax Forms and Publications" on page 66.

Agricultural Products	175	Enhanced Oil Recovery	203	Residential Rental & Farm Sales	186
Commercial Solar Electric System	196	Los Angeles Revitalization Zone (LARZ)		Ridesharing	171
Commercial Solar Energy	181	Hiring & Sales or Use Tax	159	Salmon & Steelhead Trout Habitat Restoration	200
Employee Ridesharing	194	Low-Emission Vehicles	160	Solar Energy	180
Employer Ridesharing: Large employer	191	Manufacturers' Investment	199	Solar Pump	179
Small employer	192	Orphan Drug	185	Water Conservation	178
Transit passes	193	Political Contributions	184	Young Infant	161
Energy Conservation	182	Recycling Equipment	174		

Voluntary Contribution Fund Descriptions

Make voluntary contributions of \$1 or more in whole dollar amounts to the funds listed below. To contribute to the California Seniors Special Fund use the instructions for code 50 below. The amount you contribute either reduces your overpaid tax or increases your tax due. You may contribute to only the funds listed and cannot change the amount you contribute after you file your return. Go to our Website at www.ftb.ca.gov and search for **voluntary contributions**.

If you are using:

- Form 540A, enter the amounts you want to contribute on the line for the fund on Side 2. Enter the total contributions on line 38.
- Form 540, enter the amounts you want to contribute on the line for the fund on Side 2. Enter the total contributions on line 64.

Fund Name	Code	Description
California Seniors Special Fund	50	If you and/or your spouse are 65 years of age or older as of December 31, 2006, and claim the Senior Exemption Credit on line 9, you may make a combined total contribution of up to \$182 or \$91 per spouse. Contributions entered to this fund will be distributed to the Area Agency of Aging Councils (TACC) to provide advice on and sponsorship of Senior Citizens issues. Any excess contributions not required by TACC will be distributed to senior citizen service organizations throughout California for meals, adult day care, and transportation.
Alzheimer's Disease/Related Disorders Fund	51	Contributions will provide grants to California scientists who study Alzheimer's disease and related disorders. This research includes basic science, diagnosis, treatment, prevention, behavioral problems, and care giving. With one-half million Californians living with the disease and another 2 million providing care to a loved one with Alzheimer's, our state is in the early stages of a major public health crisis. Your contribution will ensure that Alzheimer's disease receives the attention, research, and resources it deserves.
California Fund for Senior Citizens	52	Contributions will provide support for the California Senior Legislature (CSL). The CSL are volunteers who prioritize statewide senior related legislative proposals in areas of health, housing, transportation, and community services. Any excess contributions not required by the CSL will be distributed to senior citizen service organizations throughout California.
Rare and Endangered Species Preservation Program	53	Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.
State Children's Trust Fund for the Prevention of Child Abuse	54	Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.
California Breast Cancer Research Fund	55	Contributions will fund research toward preventing and curing breast cancer. Breast cancer is the most common cancer to strike women in California. It kills 4,000 California women each year. Contributions also fund research on prevention and better treatment, and keep doctors up-to-date on research progress. For more about the research your contributions support, please see our Website at www.cbcrp.org . Your contribution can help make breast cancer a disease of the past.
California Firefighters' Memorial Fund	56	Contributions will be used for the repair and maintenance of the California Firefighters' Memorial on the grounds of the State Capitol, ceremonies to honor the memory of fallen firefighters and to assist surviving loved ones, and for an informational guide detailing survivor benefits to assist the spouses and children of fallen firefighters.
Emergency Food Assistance Program Fund	57	Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.
California Peace Officer Memorial Foundation Fund	58	Contributions will be used to preserve the memory of California's fallen peace officers and assist the families they left behind. Since statehood, over 1,300 courageous California peace officers have made the ultimate sacrifice while protecting law-abiding citizens. The non-profit charitable organization, California Peace Officers' Memorial Foundation, has accepted the privilege and responsibility of maintaining a memorial for fallen officers on the State Capitol grounds. Each May, the Memorial Foundation conducts a dignified ceremony honoring fallen officers and their surviving families by offering moral support, crisis counseling, and financial support that includes academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California, thank you for your participation.
California Military Family Relief Fund	59	Contributions will be used to provide financial aid grants to members of the California National Guard who are California residents, and have been called to active duty.
Veterans' Quality of Life Fund	60	Contributions will be allocated to the Morale, Welfare, and Recreation Fund to provide additional funding for each of the veterans' homes.
California Sexual Violence Victim Services Fund	61	Contributions will be allocated to the State Department of Health Services for allocation to the California Coalition Against Sexual Assault (CALCASA) for the award of grants to support CALCASA rape crisis center programs for victims of rape and sexual assault.
California Colorectal Cancer Prevention Fund	62	Contributions will be allocated to the State Department of Health Services for making grants to foundations that qualify as exempt organizations and whose mission is the prevention and early detection of colorectal cancer. The grants shall contribute toward the expansion of community-based colorectal cancer education and culturally sensitive and appropriate prevention activities targeted toward communities that are disproportionately at risk or afflicted by colorectal cancer.
California Sea Otter Fund	63	The California Coastal Conservancy and the Department of Fish and Game will each be allocated 50% of the contributions. The California Coastal Conservancy will use the contributions for research and programs related to the near-shore ecosystem, including sea otters. The Department of Fish and Game will use the contributions to establish a sea otter fund within the department's index coding system for increased investigation, prevention, and enforcement action.